

ANNUAL REPORT

To Shareholders and Employees

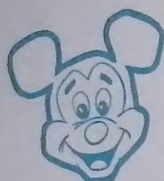
Fiscal Year Ended

October 3, 1959



Walt Disney Productions

500 South Buena Vista Street, Burbank, Calif.



Board of Directors

Walter E. Disney	Burbank, California
*Roy O. Disney	Burbank, California
John E. Barber	Pasadena, California
*Gunther R. Lessing	Burbank, California
Floyd B. Odum	New York, New York
<i>President, Atlas Corporation</i>	
*Paul L. Pease	Burbank, California
Gordon E. Youngman	Beverly Hills, California
<i>Youngman, Hungate and Leopold - Attorneys</i>	
*Member, Executive Committee	

Officers

Walter E. Disney	Chairman of Board of Directors
Roy O. Disney	President
Gunther R. Lessing	Vice President and General Counsel
William H. Anderson	Vice President—Studio Operations
E. Cardon Walker	Vice President—Advertising and Sales
Donn B. Tatum	Vice President—Television Sales
Oliver B. Johnston	Vice President—Character Merchandising
Luther R. Marr	Secretary
Spencer C. Olin	Assistant Secretary
Franklin Waldheim	Assistant Secretary and Eastern Counsel
Paul L. Pease	Treasurer
Lawrence E. Tryon	Assistant Treasurer
Orbin V. Melton	Assistant Treasurer

Table of Contents

Income Statement	1
Auditors Certificate	1
Walt Disney's Letter	2
President's Letter	3
Net Profit and Gross	3
Income	3
Dividends	3
Theatrical Product	3
Disneyland Park	4
Television	5
Other Income	5
The Future	5
Balance Sheet	8-9
Statement of Other Capital	10
Statement of Earnings	
Retained in the Business.. . . .	10
Notes to Financial	
Statements	10-11
Ten Year Comparison	12-13

STOCK TRANSFER	Bank of America, N.T. & S. A., Los Angeles, California
AGENTS:	Bankers Trust Company, New York, N.Y.
STOCK REGISTRARS:	California Bank, Los Angeles, California
	City Bank Farmers Trust Company, New York, N.Y.
STOCK EXCHANGES:	The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.
ANNUAL MEETING OF STOCKHOLDERS:	First Tuesday in February at the offices of the Company, 500 South Buena Vista Street, Burbank, California.
	Copyright 1960 Walt Disney Productions
	All Rights Reserved. Printed in U.S.A.

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES**Consolidated Statement of Income Account**

	<i>Year Ended</i>	
	<i>October 3 1959</i>	<i>September 27 1958</i>
Income (note 8)		
Film rentals	\$25,677,209	\$19,167,471
Television income	9,639,687	9,949,730
Amusement park income	17,095,672	13,496,186
Other income—from publications, newspaper comics, licensing cartoon characters, music and records	<u>6,019,831</u>	<u>5,963,875</u>
Total income	<u>58,432,399</u>	<u>48,577,262</u>
Costs and Expenses		
Amortization of film and television production costs (note 3)	19,401,902	13,726,269
Distribution costs—prints, advertising, etc.	4,243,899	3,166,795
Operating costs of amusement park, other than depreciation	8,932,343	8,122,266
Depreciation of amusement park (note 6)	3,241,930	2,620,908
Costs applicable to other income	4,364,632	4,373,529
General, administrative and selling expenses	8,923,326	7,739,282
Interest	988,840	559,328
Stories and pre-production costs abandoned	616,932	342,392
Estimated taxes on income (notes 5 and 6)	<u>3,900,000</u>	<u>3,925,000</u>
Total costs and expenses	<u>54,613,804</u>	<u>44,575,769</u>
Profit, before minority interest	3,818,595	4,001,493
Minority interest in profit of Disneyland, Inc.	<u>418,367</u>	<u>136,020</u>
Profit for the year	<u>\$ 3,400,228</u>	<u>\$ 3,865,473</u>
Earnings per share	\$2.15	\$2.51

(See notes to the financial statements on pages 10 and 11)

Auditors Certificate**PRICE WATERHOUSE & CO.**

530 West Sixth Street
LOS ANGELES 14

December 11, 1959

To the Board of Directors of Walt Disney Productions

In our opinion, the statements appearing on pages 1, 8, 9 and 10 of this report present fairly the consolidated financial position of Walt Disney Productions and domestic subsidiaries at October 3, 1959 and the results of their operations for the year (53 weeks), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.



Our Company has had another excellent year in the creation of new entertainment for the future. As head of production I am actively concerned with work in progress, but I think we can all look back with pride on last year's program and its splendid reception by the public, especially the outstanding success of our comedy, *THE SHAGGY DOG*.

At present we are deeply engrossed in filming that world-famous adventure classic, *THE SWISS FAMILY ROBINSON*, starring John Mills, Dorothy McGuire, James MacArthur, Janet Munro, Kevin Corcoran, Tommy Kirk, Sessue Hayakawa and Cecil Parker. It is being photographed on the island of Tobago in the West Indies. We feel the story has universal appeal, and it is shaping up into such an exciting and thrilling picture that *THE SWISS FAMILY ROBINSON* shows every promise of equaling or surpassing any production our Company has ever put out.

Here at the studio we are completing a screen adaptation of Eleanor H. Porter's inspiring book, *POLLYANNA*. In all our years of film-making we have never been more stirred by the performance of an artist than we are by Hayley Mills as *POLLYANNA*. I am confident that the public will find her refreshing and heart-warming. She is a wonderful little actress. This picture has a notable cast—Jane Wyman, Richard Egan, Karl Malden, Nancy Olson, Adolphe Menjou, Donald Crisp, Agnes Moorehead and Kevin Corcoran—and they all give fine performances.

Within the studio we conducted test screenings to get opinions from staff members who were not involved with the picture during its production. Three such screenings disclose highest ratings for *POLLYANNA*. The picture will probably be released next summer.

Other films nearing completion are Robert Louis Stevenson's *KIDNAPPED*, starring James MacArthur and Peter Finch, and *JUNGLE CAT*, our latest full length nature subject.

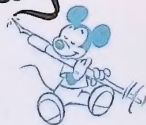
Looking ahead, another comedy starring Fred MacMurray entitled *THE ABSENT-MINDED PROFESSOR* will go before the cameras in April. Our cartoon feature, *THE 101 DALMATIANS*, is progressing well and will be completed late in 1960.

More stories and properties are being readied for filming. These, together with considerable television production, will add up to a very busy 1960 for us.

Meanwhile *DISNEYLAND*, the amusement park, has been enjoying its greatest year. The new attractions which opened to the public in June—the Matterhorn Bobsled Ride, the Submarine and the Monorail—have been extremely well received and have given strong impetus and added business to the park.

So we end this year with confidence and the expectancy of an equally busy year ahead. To all in our organization, I extend my sincere thanks for the accomplishments of the past year.

Walt Disney



Net Profit and Gross Income

Consolidated net profit after taxes of Walt Disney Productions and its domestic subsidiaries (three subsidiaries wholly owned and Disneyland, Inc.—the park—65.52% owned) for the fiscal year (53 weeks) ended October 3, 1959 was \$3,400,228 representing \$2.15 per common share on the 1,581,011 shares outstanding at the fiscal year end.

The 1958 fiscal year (52 weeks) showed net profit of \$3,865,473 equal to \$2.51 per share on the 1,537,054 common shares then outstanding.

Provision for income taxes of \$3,900,000 was made for 1959 compared with \$3,925,000 in 1958.

Gross income for the year amounted to \$58,432,899, an increase of \$9,855,137 over the \$48,577,262 reported for 1958. Film rental income accounted for \$6,509,738 of the increase while gross income of Disneyland Amusement Park was up \$3,599,486 and all other income increased \$55,956 with television income showing a decrease of \$310,043.

The principal reasons why 1959 earnings were below those of 1958, despite the increase in gross income, were the smaller margin of profit from some theatrical releases, chiefly *SLEEPING BEAUTY*, and higher production costs on certain television product.

SLEEPING BEAUTY will be our largest grossing cartoon feature to date but its production cost probably precludes any profit from its initial three to five year world-wide release.

Dividends

Four regular quarterly cash dividends totaling 40¢ per share and aggregating \$628,009 were declared during the year and paid to stockholders January 1, April 1, July 1 and October 1, 1959.

On January 1, 1959 a 3% stock dividend, declared October 23, 1958, was paid to stockholders of record December 3, 1958 pursuant to which 43,957 shares of common stock were issued. As a result, Earnings Retained in the Business was charged with \$1,429,481 on the basis of \$32.52 per share (the closing bid price of the common stock on the day of declaration adjusted for the stock dividend) plus \$79,714 cash paid in lieu of fractional shares. Stated Capital Account was credited with \$109,892, the par value of the shares issued, and the balance of \$1,319,589 was credited to Other Capital.

The total amount charged to Retained Earnings for cash and stock dividends was \$2,137,204 during the year.

On October 19, 1959 the Board of Directors declared a cash dividend of 10¢ per share and a 3% stock dividend, both payable January 1, 1960 to stockholders of record December 3, 1959.

Theatrical Product

During the 1959 fiscal year we commenced the release of four new feature motion pictures: *TONKA*, the animated feature—*SLEEPING BEAUTY*, a comedy—*THE SHAGGY DOG*, and our Irish fantasy—*DARBY O'GILL AND THE LITTLE PEOPLE*. Together these pictures represented an investment of nearly \$12,000,000. They have all done good business to date and will continue to contribute to our gross revenue during 1960 as they complete their domestic release and as we start to market them around the world. *THE SHAGGY DOG* will become our highest grossing picture to date in the United States and Canada.

All five of the new theatrical features which will be released during the 1960 fiscal year are practically completed. The releasing schedule is:

November 1959	<i>THIRD MAN ON THE MOUNTAIN</i>
February 1960	<i>TOBY TYLER</i>
Easter 1960	<i>KIDNAPPED</i>
Summer 1960	<i>POLLYANNA</i>
Fall 1960	<i>JUNGLE CAT</i>

THE BIG FISHERMAN started in release on a road-show basis in August, 1959 and is now about to begin its broad general release.

In addition our next new animated feature, *THE 101 DALMATIANS*, which is presently scheduled for release in the winter of 1960, is now well along in production, while the shooting on *THE SWISS FAMILY ROBINSON*, the release of which will commence around Christmas of 1960, is substantially finished.

For each new feature release we will have available supporting short subjects either in live action or animation.

We believe our present product line-up is the strongest in our history and are confident that it will produce good results in the years ahead.

Since September 1959 we have experienced a general softening in theatre attendance, not only in the United States, but also in most foreign markets where the

increasing impact of television is creating the same sort of adjustment period which the motion picture industry has experienced in the United States. As a result, we have lowered our estimates of expected income on some of our pictures now in release and about to begin release. This has operated to increase our rates of amortization of production costs on certain pictures which will reduce the profit margin on those pictures and may adversely affect our over-all 1960 earnings. Under these circumstances we increased the reserve against inventories from

\$500,000 to \$1,000,000 by a charge of \$500,000 which is included in the amount of amortization shown on the Statement of Income Account.

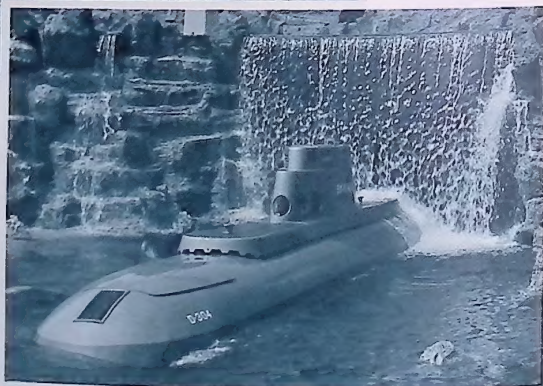
Disneyland Park

Again this year, as in each year since Disneyland Park opened in 1955, new records were set for total attendance, revenues and per capita spending of park visitors.

The change to a five-day operating week during the



The Matterhorn Mountain with its two bobsled runs; the Disneyland-Alweg Monorail System; and the eight submarines for the Undersea Voyage have all been completed since the last report. These attractions are proving immensely popular and are important factors in the ever increasing attendance at Disneyland.



1958-59 winter season from the seven-day schedule in effect the previous year has worked out very well. Reduced operating hours helped to control operating costs in the face of increased wage rates and other rising costs.

Over \$6,000,000 was invested in new rides and attractions this year, which included the Matterhorn Bobsled Ride, the Submarine Voyage, the Monorail, and extensive revisions in other rides adjacent to them. The drawing power of these spectacular new features accounts importantly, we believe, for the larger attendance trend during last summer and the current winter.

To prepare for next summer our major project is re-designing the desert area in Frontierland to provide more exciting and higher capacity rides. Other improvements throughout the park are being made.

Television

Total television gross income as shown in the Income Account for the year was \$9,639,687, a decrease of \$310,043 from 1958. Foreign television revenue was \$1,111,718 as compared with \$1,060,254 for the previous year.

Since the Fall of 1954 all of the Company's television productions have been shown in the United States, only on the network of the American Broadcasting Company. During the 1958-59 television season we aired three television programs—the weekly nighttime Walt Disney Presents and Zorro shows, and the daily afternoon Mickey Mouse Club show, each of which maintained a strong competitive position in its time segment.

Early in 1959, during the negotiations with ABC for the 1959-60 television season, ABC insisted on terms and conditions for the Mickey Mouse Club and Zorro shows which were totally unacceptable to us. ABC nevertheless claimed the right to prevent our attempting to license these programs to anyone else in the United States. As a result of this position by the American Broadcasting Company and other related disputes, Walt Disney Productions filed suit against ABC in the Federal District Court in New York on July 2, 1959. This action is now pending and we are pressing it vigorously. The suit asks the Court to invalidate the current contracts between the two companies. In addition, the suit involves questions of contract interpretation involving monetary claims and counter-claims, the amounts of which are not presently determinable.

Although Mickey Mouse Club and Zorro are not now being televised in the United States, a separate contract was entered into with ABC with respect to the Walt Disney Presents program for the 1959-60 season.

Other Income

Under the term "other income" we group the important ancillary activities of the Company relating to our world-wide marketing in many forms of the names, characters and music which come from the creation of our theatrical films, television shows and Disneyland Park. Over-all, these operations are quite steady and profitable.

Publishing and general character merchandising enjoyed a very satisfactory year. Although our domestic licensing business was off about ten per cent as compared with the previous year, this was offset by an increase in foreign business, particularly in the publishing field. We recently added new foreign merchandising representatives in Greece and Korea, bringing to 37 the total number of foreign countries in which the use of Disney characters in publications and on merchandise is actively being licensed.

No new features were added to our newspaper comics group, but the eleven present titles continued to progress favorably, especially in foreign markets.

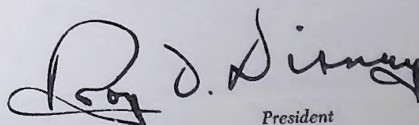
The 16mm Film Division, which now embraces both theatrical and non-theatrical uses of 16mm film, showed good progress in gross revenue and net earnings consistent with the gradually increasing catalogue of our pictures available for these markets.

We believe that recent changes made in the marketing methods of our Phonograph Record Division will improve the performance of this segment of our business which, so far, has operated at a loss.

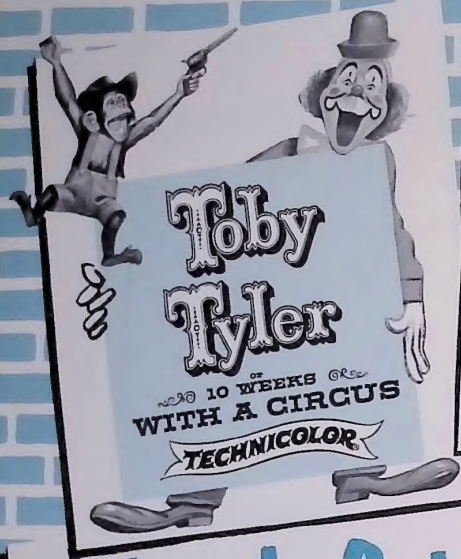
The Future

It is our belief that the present soft theatrical market and the uncertainties concerning our television activities inherent in our legal action against ABC are only short-range conditions. We believe that our policy of producing high-quality product, marketing it broadly and thoroughly and constantly trying to improve the integration and diversification of all of our activities is sound and promising for the future.

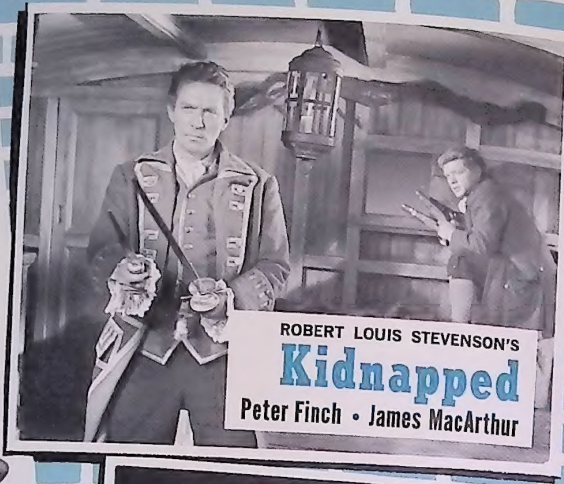
December 23, 1959


President





Toby Tyler
10 WEEKS OF
WITH A CIRCUS
TECHNICOLOR



ROBERT LOUIS STEVENSON'S
Kidnapped
Peter Finch • James MacArthur

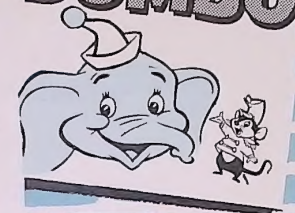


"THE SIGN OF
ZORRO"
Starring
GUY WILLIAMS

One of the world's all-time
favorite cartoon features—
returns to thrill a new
generation of Disney fans!

wonderful...
loveable...

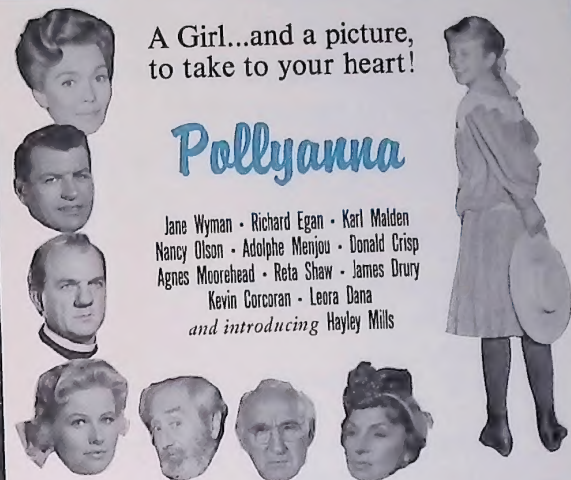
DUMBO




A Girl...and a picture,
to take to your heart!

Pollyanna

Jane Wyman • Richard Egan • Karl Malden
Nancy Olson • Adolphe Menjou • Donald Crisp
Agnes Moorehead • Reta Shaw • James Drury
Kevin Corcoran • Leora Dana
and introducing Hayley Mills



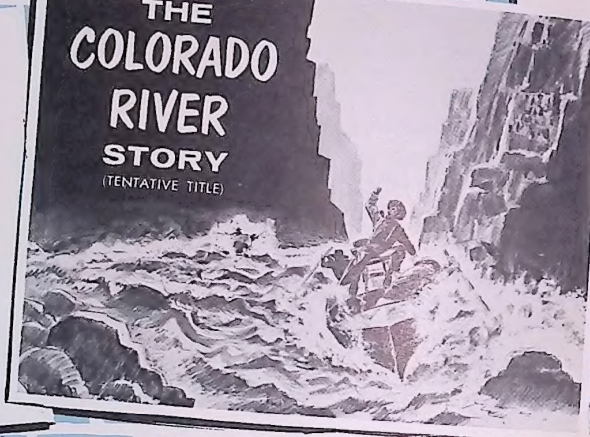
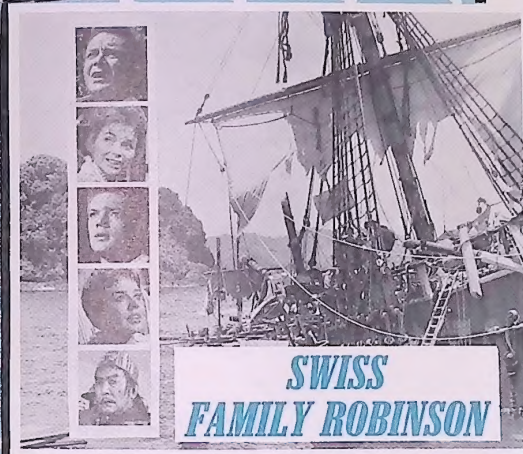
Jungle Cat
TRUE-LIFE ADVENTURE FEATURE



The wild
Jaguar of Brazil—
stalked and hunted
for years by
Disney cameramen
in a jungle wilderness—
capturing the full
exciting story
for the first
time on the
screen!

TECHNICOLOR®

THE
**COLORADO
RIVER
STORY**
(TENTATIVE TITLE)


**SWISS
FAMILY ROBINSON**

A CARTOON COMEDY FEATURE ABOUT THE FASCINATING
WORLD OF DOGS AND THEIR HUMAN PETS!



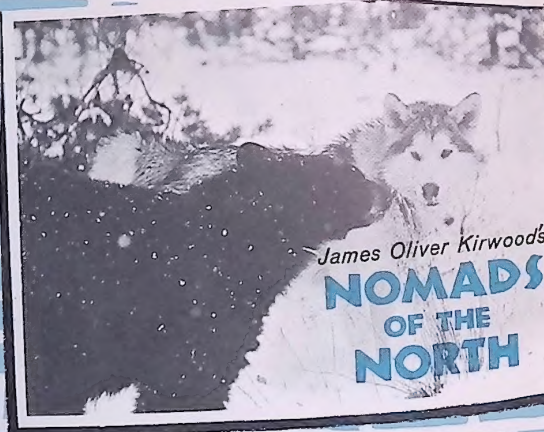
The 101 DALMATIANS

The HILARIOUS story
of the man who invented
'FLUBBER'!



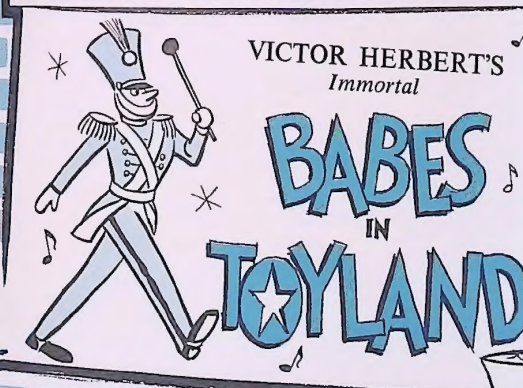

Walt Disney presents
**THE
ABSENT-MINDED
PROFESSOR**
starring
FRED MACMURRAY
as the man who invented gravity... invented!

James Oliver Kirwood's
**NOMADS
OF THE
NORTH**



VICTOR HERBERT'S
Immortal

**BABES
IN
TOYLAND**

ALL THESE WALT DISNEY MOTION PICTURES
IN PREPARATION—IN PRODUCTION
OR READY FOR RELEASE TO
THEATRES EVERYWHERE

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheet

Assets

	October 3 1959	September 27 1958
Current and Working Assets		
Cash (note 2)	\$ 2,781,039	\$ 1,903,558
Notes and accounts receivable, less provision for doubtful accounts of \$50,660 and \$47,581	1,556,511	1,058,290
	<u>4,337,550</u>	<u>2,961,848</u>
Inventories, at the lower of cost or market (notes 3 and 4)—		
Productions in process	15,436,469	20,414,115
Completed productions, less amortization	14,014,398	4,989,174
Story rights and pre-production costs	486,901	363,759
Merchandise, materials and supplies	2,669,898	2,172,548
Less—Provision for possible excess over estimated realizable amounts	<u>1,000,000</u>	<u>500,000</u>
Total inventories	<u>31,607,666</u>	<u>27,439,596</u>
Total current and working assets	<u>35,945,216</u>	<u>30,401,444</u>
Other Assets		
Cash surrender value of insurance on life of officers	351,243	294,824
Investments in foreign subsidiaries not consolidated, less amortization (note 1)	63,914	10,410
Sundry other assets and deferred charges	<u>449,009</u>	<u>378,786</u>
	<u>864,166</u>	<u>684,020</u>
Plant and Equipment		
Studio and amusement park—buildings, equipment, rides and other depreciable assets at cost (note 6)	33,312,325	28,742,654
Less—Accumulated depreciation and amortization	<u>13,091,741</u>	<u>12,006,477</u>
	<u>20,220,584</u>	<u>16,736,177</u>
Land	<u>1,678,257</u>	<u>1,538,782</u>
	<u>21,898,841</u>	<u>18,274,959</u>
	<u>\$58,708,223</u>	<u>\$49,360,423</u>

(See notes to the financial statements on pages 10 and 11)

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES**Consolidated Balance Sheet****Liabilities and Stockholders Equity**

	October 3 1959	September 27 1958
Current Liabilities		
5½% and 6½% bank loans (note 4)	\$12,450,055	\$ 4,427,422
5% notes and advances paid in 1959		1,128,901
Accounts payable	2,305,515	2,103,539
Advances under contracts	500,300	1,037,125
Payroll and employee benefits	1,505,525	1,292,285
Property, social security and other taxes	1,350,053	1,273,783
Estimated taxes on income (note 5)	4,514,579	3,769,556
Total current liabilities	<u>22,626,027</u>	<u>15,032,591</u>
Unearned Deposits and Rentals	<u>1,785,007</u>	<u>2,381,515</u>
Long Term Liabilities (note 4)		
5½% unsecured note due in installments from 1961 to 1973	5,000,000	5,000,000
5% notes and advances payable to Disneyland, Inc. minority stockholder, subordinated	966,200	1,241,200
3.6% bank note due March 1962, secured by assignment of certain royalty income of Disneyland, Inc.	300,000	350,000
	<u>6,266,200</u>	<u>6,591,200</u>
Estimated Future Federal Income Tax (note 6)	<u>2,000,000</u>	<u>1,935,000</u>
Minority interest in Disneyland, Inc.	<u>1,633,247</u>	<u>1,214,880</u>
Stockholders Equity		
(Represented by \$2.50 par value common stock—1,581,011 shares issued and outstanding in 1959 and 1,537,054 in 1958 of 3,000,000 authorized shares)		
Stated capital (note 7)	9,988,666	9,878,774
Other capital, per accompanying statement	2,721,616	1,402,027
Earnings retained in the business, per accompanying statement (notes 4 and 7)	11,687,460	10,924,436
	<u>24,397,742</u>	<u>22,205,237</u>
	<u>\$58,708,223</u>	<u>\$49,360,423</u>

(See notes to the financial statements on pages 10 and 11)



WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Statement of Other Capital

	Year Ended	
	October 3 1959	September 27 1958
Balance at beginning of year	\$ 1,402,027	\$ 497,412
Excess of market value of shares issued as a stock dividend over the par value thereof (note 7)	1,319,589	904,615
Balance at end of year	<u>\$ 2,721,616</u>	<u>\$ 1,402,027</u>

Consolidated Statement of Earnings Retained in the Business

	Year Ended	
	October 3 1959	September 27 1958
Balance at beginning of year	\$10,924,436	\$ 8,713,979
Profit for the year	3,400,228	3,865,473
Less - Provision for Federal Income Taxes of prior years (note 5)	500,000	
Dividends paid:		
In cash	707,723	642,914
In stock (note 7)	1,429,481	1,012,102
Balance at end of year (notes 4 and 7)	<u>\$11,687,460</u>	<u>\$10,924,436</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Principles of Consolidation

The accounts of all domestic subsidiaries have been consolidated in the accompanying financial statements and all significant intercompany transactions have been eliminated. All domestic subsidiaries are wholly owned with the exception of Disneyland, Inc. in which the Company owns 65.52%.

The total net assets of the wholly owned subsidiaries at October 3, 1959 exceeded the Company's investment therein by \$1,022,716, which excess represents the undistributed retained earnings of such subsidiaries and is included in Consolidated Retained Earnings. The Company's equity in the net assets of Disneyland, Inc. at October 3, 1959 exceeded the Company's investment therein by \$2,074,359. Of this amount \$497,412 is included in Other Capital in the accompanying consolidated balance sheet, representing the excess of the Company's equity in Disneyland net assets over the cost of its investment at June 29, 1957, on which date the Company's equity first exceeded 50%. The remaining \$1,576,947 represents the Company's 65.52% share of the undistributed earnings of Disneyland from June 29, 1957 and is included in Consolidated Retained Earnings.

The accounts of foreign subsidiaries have not been consolidated. These companies produce and distribute pictures, carry on the Company's character merchandising business, or publish music in various foreign countries. Royalties, dividends and other revenues received from these companies are taken into income when received in United States dollars. The Company's equity in the net assets of unconsolidated foreign subsidiaries at October 3, 1959 approximates the carrying value of its investment therein and during the year ended October 3, 1959 neither the earnings nor the dividends paid by the unconsolidated subsidiaries were material in amount.

Note 2 Restricted Cash

Cash restricted for payment of bank loans amounted to \$698,112 at October 3, 1959 and \$336,709 at September 27, 1958.

Note 3 Inventories and Amortization

Costs of completed theatrical productions are amortized by charge to income account in the proportion that the producer's share of income (net of distribution charges and print and advertising costs) received by the Company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly.

Costs of television product are classified by season of release and amortized on the basis of each season's income under contracts with American Broadcasting Company for telecasting in the United States.

The \$1,000,000 provision for possible excess of stated value of inventories over estimated realizable amounts at October 3, 1959 is based on possible losses from certain items now in inventory and does not take into account anticipated profits on other inventory items.

Note 4 Bank Loans and Long Term Liabilities

All motion pictures and television productions in process or in active release and the revenues to be derived therefrom are pledged to secure 5½% bank loans in the amount of \$7,800,055 and lessee rents as collected and proceeds from a television license agreement are pledged to secure 6½% bank loans in the amount of \$4,650,000. The 5½% bank loan agreement and an agreement underlying the 5½% \$5,000,000 unsecured note contain minimum working capital requirements of \$15,000,000 for the parent company alone and \$13,000,000 for the parent company and wholly owned subsidiaries consolidated. These requirements were met at October 3, 1959. The loan agreements also contain restrictions on payment of cash dividends from the retained earnings of the parent company and wholly owned domestic subsidiaries which totaled \$10,110,513 at October 3, 1959. Under these restrictions, \$852,013 is available for cash dividends at October 3, 1959, subject to an overall limitation of \$750,000 in any one calendar year.

Note 5 Estimated Federal Income Tax

Representatives of the Internal Revenue Service who are currently examining the Company's federal income tax returns for the three years ended September 1956 have proposed assessments of substantial amounts of additional tax. The assessments would result primarily from proposed changes in the Company's method of accounting for the cost of television films and its long-established method of amortizing the cost of theatrical motion picture films. The methods followed by the Company are in accord with practices generally followed in the industry. Any assessments made on these bases will be vigorously protested and accordingly no provision therefor has been made in the accompanying statements.

The Treasury representatives have also proposed a reduction in the amount of credit allowable on account of foreign taxes paid. The Company has now determined that certain of the taxes paid to some foreign countries and originally claimed as credits are allowable only as deductions, and during the year has provided by a charge to Retained Earnings the amount of \$500,000 which is expected to be adequate to meet the additional tax resulting from such adjustment for the five years ended September 1958.

Note 6 Estimated Future Federal Income Tax

Since inception depreciation has been provided on all Disneyland assets at a composite rate of 14.28% per year. The Company is making a survey of the estimated economic life of the park assets to determine whether the 14.28% straight line rate adopted in 1955 should be revised. Preliminary results of the survey disclose that the indicated revision of rate would have no material effect on the financial statements for the year ended October 3, 1959.

For federal income tax purposes depreciation expense of Disneyland is computed on the declining balance method using twice the 14.28% rate used for book purposes with the result that Disneyland tax returns for years prior to 1958 showed no tax liability. However, Disneyland follows the policy of providing currently for federal income taxes at the rate of approximately 52% of the cumulative net profit shown in its financial statements.

Note 7 Stockholders Equity

A 3% stock dividend declared on October 23, 1958 was paid on January 1, 1959 to holders of record December 3, 1958. This resulted in a charge to Retained Earnings of \$1,429,481 with credits of \$109,892 to Stated Capital and \$1,319,589 to Other Capital. An additional 3% stock dividend was declared on October 19, 1959 payable on January 1, 1960 to stockholders of record on December 3, 1959.

Note 8 Method of Accounting for Revenue

The Company records foreign income at the time of receipt of remittances in United States dollars or at the time of expenditures of foreign currencies abroad for the account of the Company. At October 3, 1959 there was approximately \$1,600,000 (at current rates of exchange) of currencies in foreign countries representing income which has not been reflected as an asset or as income in the accompanying statements.



FISCAL YEARS ENDED SEPTEMBER 30

	1959	1958	1957
OPERATIONS:			
Gross income	\$58,432,399	48,577,262	35,778,242
Costs and expenses			
Amortization of production costs	\$19,401,902	13,726,269	12,283,777
Interest expense	988,840	559,328	339,460
Other costs and expenses	30,323,062	26,365,172	15,380,061
Provision for taxes on income	3,900,000	3,925,000	3,850,000
Total costs and expenses	\$54,613,804	44,575,769	31,853,298
Minority interest in profit of Disneyland, Inc.	418,367	136,020	275,585
Profit	\$ 3,400,228	3,865,473	3,649,359
Net income applicable to common stock outstanding during period after providing for dividends on preferred stock outstanding in fiscal years prior to 1952 and after giving effect to 2 for 1 stock split effective August 20, 1956			
In total	\$ 3,400,228	3,865,473	3,649,359
Per share	\$ 2.15	2.51	2.44
Number of shares:			
Preferred			
Common	1,581,011	1,537,054	1,494,041

FINANCIAL CONDITION:

Current assets	\$35,945,216	30,401,444	23,837,673
Current liabilities	22,626,027	15,032,591	15,090,986
Net working capital	13,319,189	15,368,853	8,746,687
Land, buildings and equipment after deducting depreciation	21,898,841	18,274,959	17,124,683
Other assets and deferred charges	864,166	684,020	749,388
Unearned income	(1,785,007)	(2,381,515)	(2,361,265)
Long term liabilities	(6,266,200)	(6,591,200)	(2,373,353)
Minority interest in Disneyland, Inc.	(1,633,247)	(1,214,880)	(1,078,859)
Estimated future federal income tax	(2,000,000)	(1,935,000)	(1,825,000)
Stockholders equity	\$24,397,742	22,205,237	18,982,281
Net worth per common share after giving effect to 2 for 1 stock split effective August 20, 1956	\$ 15.43	14.45	12.71

STOCKHOLDERS EQUITY REPRESENTED BY:

Preferred stock	\$		
Common stock	9,988,666	9,878,774	9,770,890
Paid in surplus			
Other capital	2,721,616	1,402,027	497,412
Earnings retained in the business	11,687,460	10,924,436	8,713,979
Total stockholders equity	\$24,397,742	22,205,237	18,982,281

COMPARISON

1956	1955	1954	1953	1952	1951	1950
27,565,394	24,638,652	11,641,408	8,365,861	7,722,819	6,287,539	7,293,849
11,326,884	12,691,652	5,154,234	4,278,601	4,382,163	2,998,376	3,905,035
488,837	434,926	371,333	146,715	108,987	132,105	183,503
11,285,132	9,009,498	4,541,989	3,065,119	2,704,860	2,520,218	1,962,769
1,841,000	1,150,000	840,000	365,000	75,000	207,000	525,000
24,941,853	23,286,076	10,907,556	7,855,435	7,271,010	5,857,699	6,576,307
2,623,541	1,352,576	733,852	510,426	451,809	429,840	717,542
2,623,541	1,352,576	733,852	510,426	451,809	425,925	692,669
2.01	1.04	.56	.40	.35	.33	.53
						11,196
1,305,680	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680
18,990,463	14,715,445	15,413,949	11,180,534	9,694,882	9,239,509	8,636,835
14,323,495	11,914,474	10,982,120	6,387,794	4,870,348	4,093,501	3,389,084
4,666,968	2,800,971	4,431,829	4,792,740	4,824,534	5,146,008	5,247,751
3,466,107	3,560,100	2,639,566	2,177,317	1,728,588	1,704,058	1,799,391
4,702,152	3,360,016	1,052,793	394,116	208,467	159,284	207,960
(728,960)	(588,361)	(344,038)	(317,575)	(200,827)	(451,732)	(524,253)
(593,740)	(243,740)	(243,740)	(244,040)	(268,630)	(717,295)	(1,036,629)
11,512,527	8,888,986	7,536,410	6,802,558	6,292,132	5,840,323	5,694,220
8.82	6.81	5.77	5.21	4.82	4.47	4.15
						279,900
6,000,000	6,000,000	6,000,000	6,000,000	3,264,200	3,264,200	3,264,200
				969,538	969,538	969,460
5,512,527	2,888,986	1,536,410	802,558	2,058,394	1,606,585	1,180,660
11,512,527	8,888,986	7,536,410	6,802,558	6,292,132	5,840,323	5,694,220



Watch out for
Mister STUBBS
starring in
Toby Tyler!